SUPERIOR PROPANE INCOME FUND

ANNUAL REPORT 2000

BUILDING RELATIONSHIPS YOU CAN TRUST

Our goal is to improve the lives of our **key stakeholders** – our customers, our employees and our investors.

PROPANE IS ONE OF NATURE'S MOST VERSATILE FUELS; It's clean burning, efficient, portable and economical.

With the acquisition of ICG Propane, Superior has over 100 years of combined experience in the propane business. We have more than 2000 employees delivering propane gas and providing services across Canada. We serve approximately 300,000 customers in all major end-use propane applications including residential, commercial cooking and heating, auto, construction, seasonal cottages and homes, oil field, forklift truck and agriculture.

Satisfying our customers' needs and taking a customer-oriented approach to growing the business make us a leading provider of energy solutions.

Contact the Superior Propane or ICG Propane location nearest you.

Superior Propane
INCOME FUND

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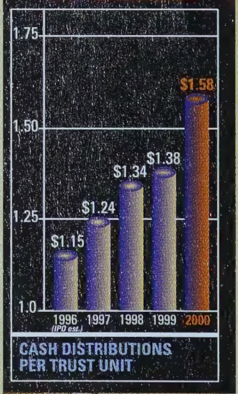


2000: News in Brief

A HALF-CENTURY OF PROPANE SERVICE

As we approach our 50th year of providing superior service to our customers, we look back with pride on our humble beginnings and the growth and accomplishments achieved along the way.

1951 – Superior opened its doors with three branch offices in Ontario.

1954 – Superior's shares were listed and posted for trading on The Toronto Stock Exchange.

1960 – By 1960, more branches were established and the operations expanded through acquisitions in Northern Ontario, Quebec and Atlantic Canada.

1962 – Gulf Canada acquired control of Superior. The Company continued to grow and prosper with further acquisitions and expansions into Western Canada.

1986 – Norcen Energy acquired the Company and integrated its propane holdings into one entity to continue under the well-respected brand name of Superior.

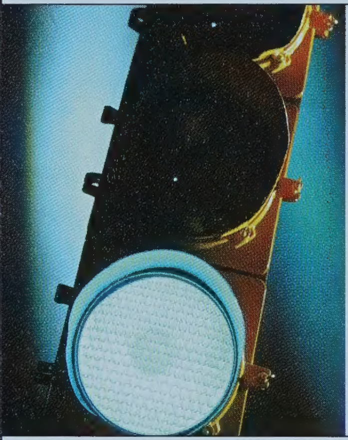
1996 – Norcen sells 50% of Superior to create the Superior Propane Income Fund to allow unitholders to participate in the earnings of Superior.

1998 – The Fund increased its ownership over time to hold 100% of Superior. In December 1998, Superior acquired ICG Propane.

2000 – Superior and ICG Propane amalgamate and initiate their merger, a project expected to take up to two years to complete.

Superior supports local communities

"Superior's charitable giving reflects our desire to have a positive, direct and noticeable impact on the communities in which we operate," says Stephanie Thomas, Communications Advisor at Superior. "Our Community Giving Program is designed to allow our branch teams to decide how best to support their local area." For example, the team in Joliette, Quebec spent a Saturday helping to tidy the grounds and paint the buildings to get Camp Papillon ready for another summer of young disabled campers. The Red Deer team worked with the local fire department to make the area safe after a killer tornado struck a trailer park in Pine Lake, Alberta. The staff in Dartmouth, Nova Scotia supported their local Canadian Cancer Society by raising money from a 50/50 draw, a car wash, a potluck lunch and a weekly "jeans day." Everyday, Superior employees across the country demonstrate a commitment to their local communities.



Green light for merger of Superior and ICG Propane

After an exhaustive Competition Tribunal process, Superior and ICG are finally allowed to merge! This makes Superior one of the largest propane companies in North America. By combining the two companies, we will have the opportunity to access significant cost savings, enhance propane's competitive position in Canada's energy market and provide enhanced services to our customers.

Doing the job with propane

What do the Olympic torch, scare guns and mosquito magnets have in common?

They all use propane to get the job done. After experimenting with a variety of fuels, the Olympic torch for the 2000 Games in Sydney, Australia, was fuelled by a mixture of propane and butane. Burning propane results in efficient combustion and it doesn't emit smoke, which makes for a bright, clean and resilient Olympic torch.

Scare guns, which are hooked up to standard propane tanks, are a sensible and sound solution for problem wildlife and are often used in agricultural fields, orchards, airports and anywhere else birds and animals are not welcome or put at risk.

The mosquito magnet also uses a standard propane tank and is as simple to operate as a backyard barbecue. It can capture up to 1,500 mosquitoes daily at a very low cost. Biting insects have receptors that attract them to sources of carbon dioxide, such as a propane-powered mosquito magnet emits. The mosquito magnet does not capture moths, beetles, ladybugs or other beneficial insects.

Photo courtesy of CODA.

PETER GREEN, *Chairman, February 21, 2001*

> *The Superior Propane Income Fund has been successful in increasing distributions to unitholders each year since its inception in October 1996. Cash distributions with respect to 2000 operating results reached a record of $1.58 per trust unit. The Fund's exceptional performance reflects the addition of ICG Propane, the strength and expertise of management, and the efforts and dedication of all employees during a challenging year in the Canadian propane business.*

Forward

YOUR FUND CONTINUES TO GROW DISTRIBUTIONS TO UNITHOLDERS.

Distributable income available to unitholders from operations in 2000 was $72.5 million or $1.58 per trust unit, a 15% increase over the $1.38 paid by the Fund for operating results achieved in 1999. This brings total cash distributions since inception to $6.09. Distributions paid to unitholders have grown 37% from $1.15 per trust unit forecast in the initial offering prospectus. Our unitholders' total return increased by 109% since inception, with units trading as high as $16.20 in 2000.

The Superior Propane Income Fund owns 100% of Superior Propane Inc., Canada's largest marketer of propane, propane-consuming appliances and related services. Superior distributes all available cash flow after satisfaction of all expenses, obligations and maintenance capital requirements. The Fund currently pays quarterly cash distributions on or before the 15th day of January, April, July and October to unitholders of record on the last day of the preceding calendar quarter. For more information, including a summary of cash distributions since inception together with tax information, visit our investor relations section on Superior's website at **www.superiorpropane.com.**

On September 30, 2000, Superior amalgamated with ICG Propane, following approval of the merger by the Competition Tribunal. The synergies achieved after the completion of the merger are expected to provide a significant upside to unitholders over the next several years.

Most recently, the Fund was successful in accessing capital markets by selling $100 million of 8% Convertible Unsecured Subordinated Debentures due July 31, 2007. The conversion price is $16.00 and the debentures were sold via Subscription Receipts, subject to the unitholders' approval of modifications to the governing documents of the Fund to permit the issuance of the debentures. This will allow Superior to refinance a portion of its existing bank debt and strengthen our balance sheet.

The Board of Trustees shares your excitement about the future and growth potential of your Fund.

Peter Green
Chairman

For more information on the Superior/ICG merger, the recent financing, or propane operations and results, see subsequent sections of this Annual Report.

CASH DISTRIBUTIONS PER TRUST UNIT

UNITHOLDER REALITY CHECK

Q WHAT IS THE TOTAL RETURN ON $10,000 INVESTED IN THE FUND'S IPO ON OCTOBER 1996?

A $20,900 (as at December 31, 2000), more than double the initial investment in under five years. Total return assumes reinvestment in additional trust units of the Fund of all cash distributions received during that period.

Q WHAT IS YOUR MARKET CAPITALIZATION?

A We are one of the largest income trusts with a market capitalization in excess of $700 million.

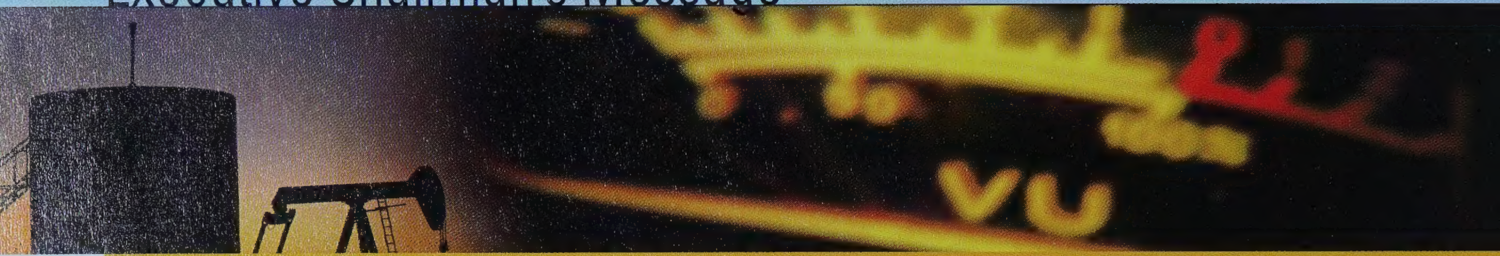
Q WHAT WAS YOUR IPO UNIT PRICE AND WHAT IS YOUR UNIT PRICE NOW?

A Our trust units came out at $10.95 and closed at $15.65 on December 29, 2000, the last trading day in 2000.

Q WHAT IS YOUR AVERAGE MONTHLY TRADING VOLUME?

A Our average monthly trading volume during 2000 was in excess of one million trust units.

Executive Chairman's Message



"Superior's success comes from diversity of end-use and geographic markets, quality customer service, and continued focus on long-term growth."

The integration of ICG Propane, the dedication of our people, and the strength of our financial position, give us confidence in our ability to harness exciting opportunities to further grow our business in 2001 and beyond.

ICG contributes approximately 0.8 billion litres to our annual propane sales volumes and provides us with an opportunity to enhance customer service and improve propane's competitive position over the long term. In addition, we anticipate that the full merger will allow us to access estimated cost savings of $25-$30 million per year to the benefit of all stakeholders in 2002. Until full physical field integration is achieved, ICG Propane will continue to operate under its own brand name. Superior and ICG are well-known as trusted and customer-focussed propane delivery and service providers in Canada.

THE MERGER ALLOWS US TO STRENGTHEN THE MANAGEMENT TEAM

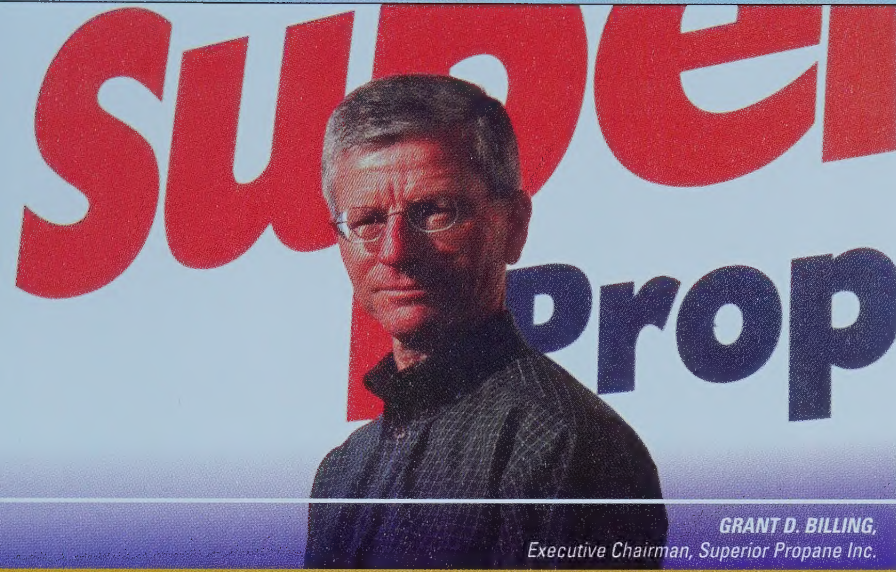
Geoff Mackey is back at the helm of Superior as President and CEO. Geoff served as President and COO of Superior from the inception of the Fund in 1996 until his appointment as President and CEO of ICG for the term of the Hold-Separate Order. Intimately familiar with the culture, structure and processes of both organizations, he will provide guidance to a strong management team to move ahead with the merger and grow the business. On page 6 you will meet the members of our new management team.

SUPERIOR ACHIEVES STRONG RESULTS DESPITE CHALLENGING CONDITIONS

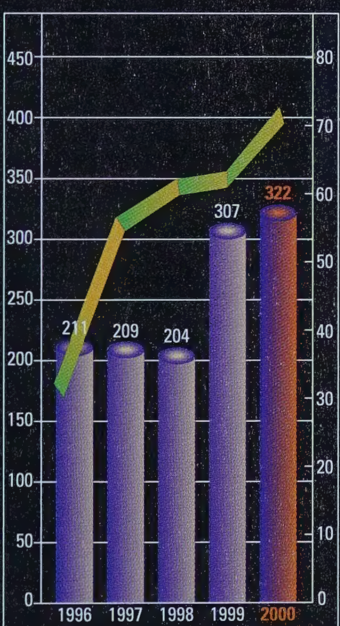
Our continued focus on expense and margin management, lower capital expenditures, and the additional cash flow from the business of ICG Propane has increased the Fund's distributable cash flow by 15% from $63.0 million in 1999 to $72.5 million for 2000, despite the challenging environment currently faced by the Canadian propane industry.

Propane volumes were comparable to last year though gross profit increased from $306.5 million to $321.7 million. This was largely due to a change in business mix as declining volumes in the automotive sector were partially offset by increased industrial volumes, reflecting resurging demand from oil field services end-use applications. Overall heating volumes were comparable to 1999 levels despite weather conditions that were 1% cooler than the last five year average. Higher propane prices caused consumers to better manage their energy consumption.

Crude oil and natural gas prices reached record levels, propelling the cost of wholesale propane during the year by



GRANT D. BILLING,
Executive Chairman, Superior Propane Inc.



GROSS PROFIT/vs DISTRIBUTABLE CASH FLOW
(millions of dollars)

Gross Profit   Distributable Cash Flow

189% at Sarnia and 252% at Edmonton, Canada's wholesale pricing and storage hubs. In January 2001, wholesale propane prices peaked at 49.5 cents per litre in Sarnia. A strong export market due to high demands in the U.S. petrochemical industry and the recent steep increase in natural gas prices, put additional pressure on the wholesale price of propane. Competition with alternate fuels and among the many propane distributors remains strong. Our customer-oriented approach to propane delivery and the broad range of other services we offer set us apart from our competition and make us a leading provider of propane energy solutions.

The Management's Discussion and Analysis section and the Consolidated Financial Statements included in this Annual Report provide further details of our financial performance for 2000.

SUPERIOR HAS THE FINANCIAL CAPACITY TO SUPPORT GROWTH

With the completion of the Fund's $100 million public financing in January 2001, Superior will be able to use these funds to repay a portion of its existing bank indebtedness incurred by the $175 million acquisition of ICG in July 1998. This greatly improves Superior's credit capacity and provides financial strength to support our business plan.

WE LOOK FORWARD TO THE CHALLENGES AND REWARDS OF 2001 AND BEYOND

The synergies to be achieved from the physical merger with ICG are expected to have a substantial positive impact on our financial results for 2001 and beyond. In addition, we continue to expand the value-added service offerings that are available to our large and diverse customer base. Our new information system has successfully been rolled out across all of our branch and satellite locations and supports every aspect of our business. It has enabled us to streamline business functions, reduce and eliminate unnecessary work processes, and sets the stage to market our products and services using e-commerce to better serve our customers in the future. Our extensive operating infrastructure and customer reputation position us to take advantage of new developments in technology such as fuel cells and other emerging distributed power markets.

At Superior, we continue to grow and build relationships. Successfully integrating two great companies and melding two cultures is only possible with the loyalty and trust of our employees and customers. For that we are grateful.

On behalf of the Board of Directors of Superior,

G Billing

Grant D. Billing
Executive Chairman
February 21, 2001

Moving Forward: Our vision for 2001 and beyond

> **JOHN COOPER**
Senior Vice-President, Integration
We will integrate two successful companies into one even greater company. Our focus is on providing excellence in customer service and on the profitable development of our propane delivery and service business.

> **MARK SCHWEITZER**
Executive Vice-President, Corporate Development and CFO
Through the merger with ICG, we have strong people and financial capability to position Superior for growth in our traditional markets as well as in emerging market applications.

> **DAVE BALICKI**
Vice-President, Western Operations
In 2001, we will focus on improving our customer service levels and efficiencies with our industrial accounts. We will explore new market opportunities to replace the declining auto propane volumes.

> **GEOFF MACKEY**
President and CEO
Our overall goal is to improve the lives of our key stakeholders - our customers, our employees and our investors.
I believe the physical completion of the ICG integration will serve as a solid foundation for furthering this vision in 2001 and beyond.

> **GORDON WEICKER**
Vice-President, Corporate Field Services
We strive to enhance Superior's ability to secure propane supply at the lowest cost, without jeopardizing safety or quality, while at the same time, effectively utilizing our transportation and storage assets.

> **PAUL SAABAS**
Vice-President, Eastern Operations
In 2001, we will focus on customer service and retention as we integrate Superior and ICG. We will strive to be more efficient and will always put our customers' needs first.

Benefits of Merging

THE MERGER WILL SIGNIFICANTLY IMPROVE THE COMPETITIVENESS OF PROPANE IN CANADA.

The merger is expected to enhance the overall competitiveness of propane against alternate fuels. Significant cost savings will be generated, estimates of which are provided on page 13 of this Annual Report. By combining management and the corporate offices and by eliminating overlapping branch and storage locations, substantial synergies will be achieved. In addition, the merger will enable us to reduce capital expenditures by improving the utilization and productivity of our assets. Resulting savings in cost and resources can be redeployed to expand service offerings in other areas and to further grow our business. For our customers in all markets, we expect to provide improved and extended service.

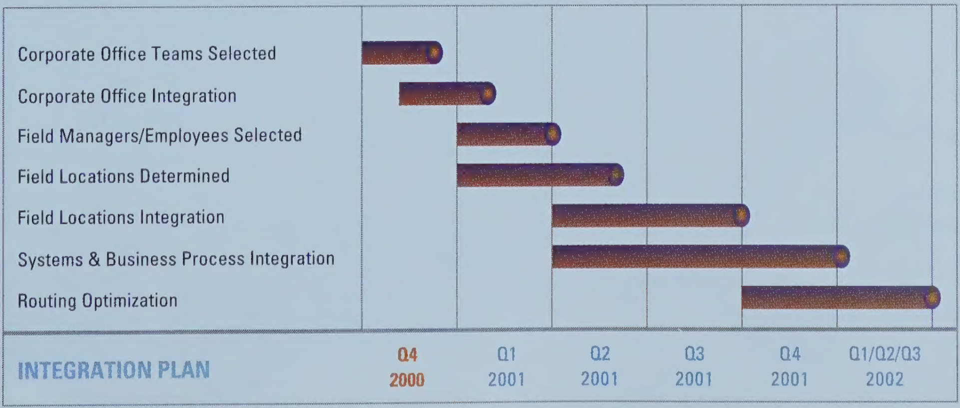
At-a-glance. A good fit.

	SUPERIOR PROPANE	ICG PROPANE
STARTED BUSINESS	1951 - 49 years of experience.	1938 - 62 years of experience.
SCOPE OF OPERATIONS	Operates Canada-wide.	Operates from British Columbia to Quebec, with limited operations in Atlantic Canada.
2000 SALES VOLUMES	In excess of 1.2 billion litres.	In excess of 0.8 billion litres.
# OF CUSTOMERS	Approximately 200,000.	Approximately 100,000.
# OF BRANCHES	132 branch and satellite locations.	108 service and storage sites.

The Merger Process

THE PHYSICAL INTEGRATION IS WELL ON ITS WAY

An integration team consisting of 16 ICG and Superior employees has been dedicated, on a full-time basis, to develop a comprehensive integration plan to be implemented over a two-year time-frame. The integration team focuses on five key areas, including human resources and communications, assets and operations, information services, business processes and business management support. To date, the corporate office has successfully been combined and field integration is expected to commence after the busy winter heating season. The second year of integration will focus on improving business processes and maximizing routing and operating efficiencies.



PROPANE: The Supply-Distribution Chain

PROPANE IS A BY-PRODUCT OF NATURAL GAS PROCESSING OR THE CRUDE OIL REFINING PROCESS.

As a by-product of natural gas, the raw natural gas is processed at a field gas plant producing natural gas liquids (NGL). The NGLs are then fractionated into individual components, including propane. In the crude oil refining process, liquefied petroleum gas (LPG) is extracted from the crude oil and fractionated into individual components. Superior ships propane by rail or truck to storage facilities in Western Canada at Edmonton or Eastern Canada at Sarnia, to its branch or satellite locations and, in some cases, directly to the customer. Superior's secondary distribution to the customer is by pressurized bulk delivery trucks. The propane is then used by our customers for automotive, agricultural, industrial, commercial and residential applications.

The Business of Propane

IT ADDS UP. WHAT INFLUENCES PROPANE PRICES.

We are a distributor of propane, not a producer, and our prices reflect market conditions. When the wholesale cost of propane increases, we have to charge more to cover the cost. Factors that affect our prices include:

1 CRUDE OIL AND NATURAL GAS PRICES Propane trades as a commodity. Because propane is derived from crude oil and natural gas, when those prices go up, so does the price of propane.

2 SUPPLY AND DEMAND BALANCE A change in production levels at refineries and gas plants can cause the propane price to fluctuate. Another factor that impacts supply and demand is that propane is widely used to manufacture a range of petrochemical products, from plastics and engine coolants to clothing fibers. The demand for these products affects the price of propane.

3 INVENTORY LEVELS When propane inventory levels are low, but the demand for propane is high, the price will go up. Superior maintains storage facilities to keep customers supplied when propane is scarce and to enable us to provide price management solutions to our customers.

4 TRANSPORTATION The distance propane must be transported between supply and delivery points plays a role in the cost of propane to the end-use customer. To help reduce these costs, Superior leases railcars and operates its own fleet of tractor trailers and trucks.

Propane distribution is an old economy business, but new markets are evolving

The propane distribution and service business is an "old economy" business. Indeed, the history of propane dates back to the post-industrial revolution era. By 1915, propane gas was used for cooking food, heating, and powering automobiles. Today, it is estimated that approximately 11.5 billion litres are produced annually in Canada, with about 3.9 billion litres of propane being consumed in Canada. The remainder is exported to the United States where it is consumed in the energy markets and as petrochemical feedstock in the manufacture of such products as ethylene, polypropylene, antifreeze, and rubbing alcohol.

Approximately 87% of the propane produced in Canada is derived from natural gas processing and 13% from crude oil refining. Propane is a clean burning hydrocarbon that can be compressed at low pressures into a liquid form, allowing it to be transported by truck and by rail and stored in pressurized tanks and cylinders. At present, we lease over 300 railcars and operate a fleet of over 1,100 trucks.

WE CONTINUE TO GROW AND DEVELOP OUR CORE BUSINESS OF PROPANE DISTRIBUTION

Propane distribution is a local, relationship-based business. We compete with approximately 200 aggressive and low-cost propane retailers across Canada. During 2000, Superior and ICG sold more than 2 billion litres of propane to approximately 300,000 customers from a network of 240 locations. Under the new business structure, we will be consolidating our branch offices into larger market centres. Each market will maintain a local presence through a market office and teams will continue to be responsible for managing their local business and pursuing local opportunities. While each market will have its own business plan, our overall focus concentrates on five key business drivers: customer service, expense and resource management, business and volume growth, margin management and employees.

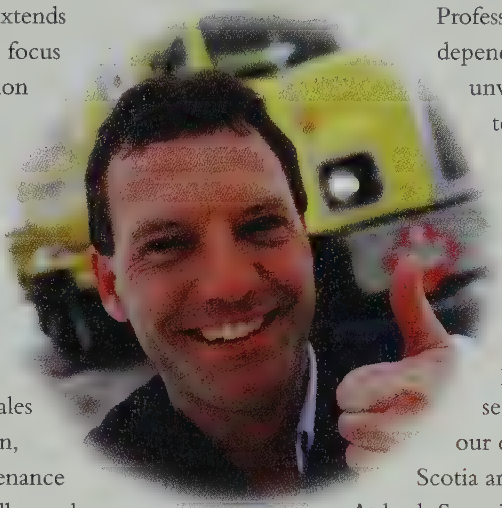
Propane is a colourless, odourless, non-toxic, heavier-than-air vapour, pressurized to form a liquid petroleum gas. It is a highly concentrated and clean burning energy source. Amazingly, as a liquid, propane takes as little as 1/270th of the space it needs as a gas. This makes for an extremely portable, versatile and economical fuel source. Using propane also preserves the environment by reducing harmful emissions.

WORTH KNOWING

SERVICE:

Our Commitment is Unwavering

At Superior, we strive to create an atmosphere of trust. Our commitment to customer service extends beyond deliveries; we focus on customer satisfaction and provide energy solutions. We offer advice to our customers on their energy needs and then service those needs through propane distribution services, equipment sales and rentals, installation, and repair and maintenance services. We continually work to understand our customers' needs and provide them with the opportunity to choose the services and pricing options they require and value.



Professionalism, courtesy, dependency and an unwavering commitment to safety are essential qualities of our workforce. Ask Stan Betts from our Dartmouth Branch who has been providing dependable propane delivery services with a smile to our customers in the Nova Scotia area for over ten years.

At both Superior and ICG, service is what we're all about.

OUR CORE BUSINESS CONSISTS OF SELLING PROPANE AND RELATED PRODUCTS AND SERVICES FOR USE IN COMMERCIAL/INDUSTRIAL, RESIDENTIAL, AGRICULTURAL AND AUTOMOTIVE APPLICATIONS.

Consumption in the **commercial/industrial** area is tied to economic growth and our sales volumes have increased by 6.5% over 1999 levels. Commercially, propane is used for cooking in the hospitality and food services business, for space heating (such as heating warehouses, sports facilities, municipal buildings, refrigeration) and other purposes. Industrial usage includes forklift truck, agent, construction and roofing, process heating and heat treatment for manufacturing, forestry, and mining. Propane also fuels internal combustion engines that drive oil pumpjacks in Western Canada.

Residential demand for propane is weather sensitive, but consumption has been stable despite the effects of global warming. We service approximately 200,000 residential customers, mostly in rural areas where natural gas is not readily available. Our residential customers use propane primarily for space heating, water heating, refrigeration and cooking.

Agricultural demand is dependent upon weather conditions and crop values. A wet fall or high-valued crop could significantly increase propane demand for grain drying and tobacco curing. In the agricultural area, propane is also used for irrigation, brooding, greenhouse operations and weed control.

Auto propane volumes continued to decline by 16% compared to last year. Although some original equipment vehicle manufacturers have started to re-introduce propane vehicle offerings, we expect that the decline will continue in the near-term. Unfortunately, the decline is continuing despite propane's potential to make a significant contribution to the reduction of greenhouse gas emissions and to Canada's commitment to the Kyoto Protocol.

A detailed analysis of sales volumes and gross profit is provided on pages 15 to 16 of the Management's Discussion and Analysis.

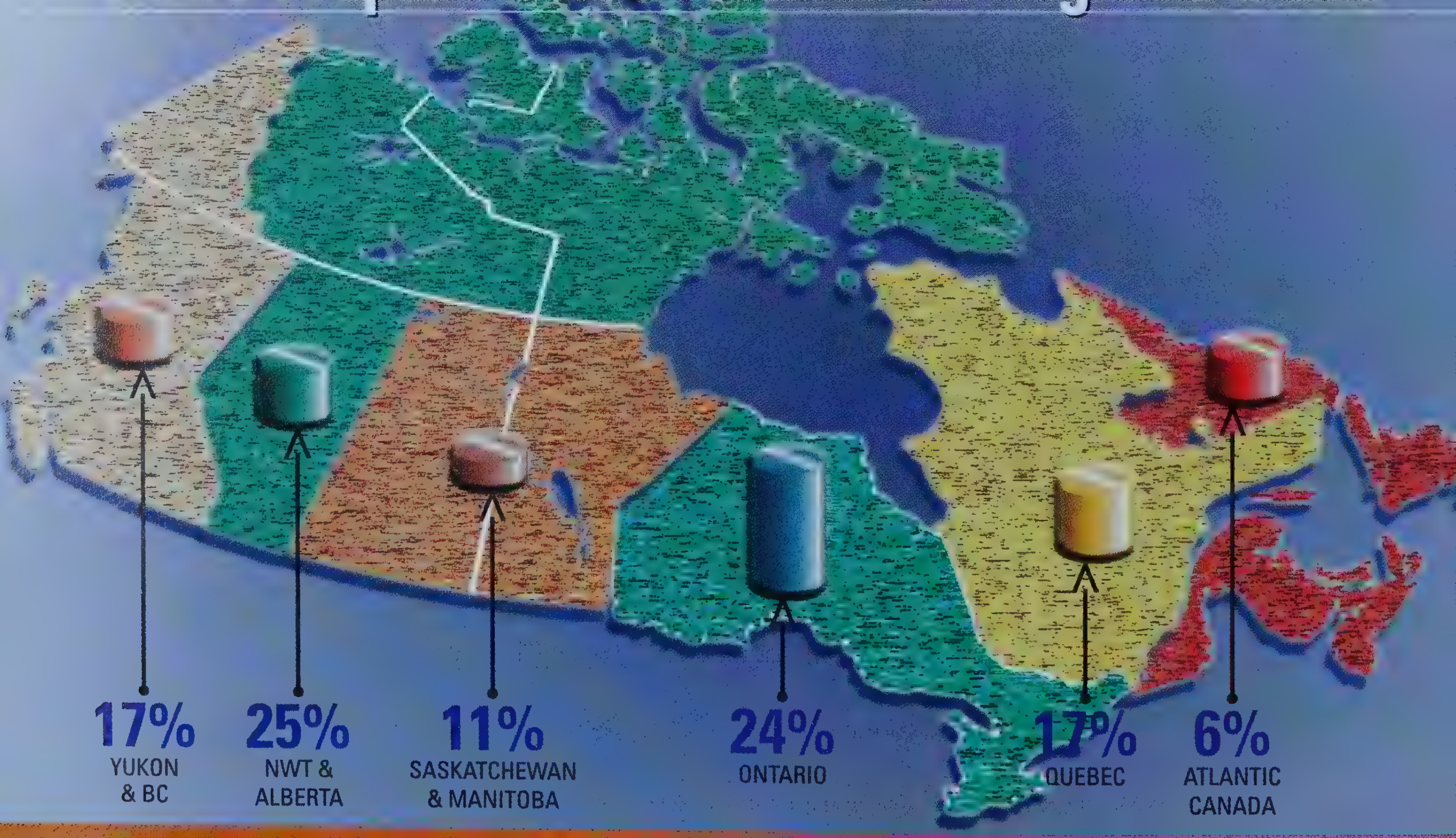
> *"Propane is making the transition from old economy uses by homeowners and farmers to automobiles fuelled by propane. But new economy businesses are looking at propane too, particularly for the development of fuel cells, microturbines and energy peak shaving applications."*

WE TAKE ADVANTAGE OF NEW OPPORTUNITIES

The gross profit from our service revenue stream has increased by approximately 50% over the past five years, providing increased stability to Superior's business. With the addition of the ICG customer base, we have a unique opportunity to increase our service offerings and grow our new programs, such as servicing oil field burners in Western Canada, offering air quality testing to forklift customers, and servicing natural gas equipment. Our PROtect, PROact, PROrate and Equal Payment programs, designed to provide maintenance, pricing and payment options to our residential and commercial customers, have successfully been received by our customers. We anticipate the growth in our service revenues to continue.

Throughout history, every industry has been reshaped by innovation and the twenty-first century has opened the door for propane to serve as a catalyst fuel in the evolving distributed power market. With high prices and the deregulation of electricity and natural gas, conditions are ideal for rapid advances in the distributed power market, currently still in its infancy. We follow with interest the developments and potential applications for fuel cells, microturbines and energy peak shaving applications. The source for fuel cells can be any hydrogen rich fuel, including propane, methanol, natural gas, gasoline, diesel or fuel oil. The advantage of using propane as a fuel source is that it is non-toxic and has twice the hydrogen per molecule content as natural gas. With our large and established customer base and sales infrastructure, we are ideally suited to take advantage of these new opportunities.

2000 Propane Sales Volumes on Regional Basis



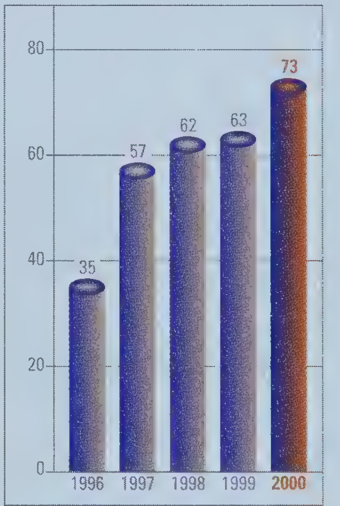
Management's Discussion and Analysis

The Fund holds a 100% interest in Superior consisting of investments in common share equity (the "Common Shares") and $385 million 13% unsecured subordinated notes (the "Shareholder Notes"). The distributable cash flow of the Fund is solely dependent on the results of Superior and is derived from interest earned on the Shareholder Notes and dividends or return of capital on the Common Shares. On December 7, 1998, Superior acquired from Petro-Canada, a 100% interest in ICG, a major retail propane distributor. On December 8, 1998, Canada's Competition Bureau applied to dissolve the ICG merger pursuant to Canada's Competition Act on the grounds that the acquisition could lead to a substantial lessening of competition in Canada's retail propane markets.

On December 11, 1998, the Competition Tribunal approved a consent interim order (the "Hold-Separate Order") which established certain operating parameters requiring Superior and ICG to continue operating as independent competitors pending the completion of the Tribunal's full review of the acquisition. On August 30, 2000, the Competition Tribunal dismissed the Competition Bureau's application to dissolve the merger. On September 8, 2000, the Competition Tribunal confirmed that the Hold-Separate Order was removed by operation of its August 30, 2000 decision. The Competition Bureau immediately appealed the Competition Tribunal's August 30, 2000 decision to the Federal Court of Appeal. The appeal was heard on January 9 and 10, 2001 and a decision is expected by mid-year. If the appeal is ultimately successful, Superior may become subject to certain remedies which may require it to create a viable national competitor and having done so, divest it.

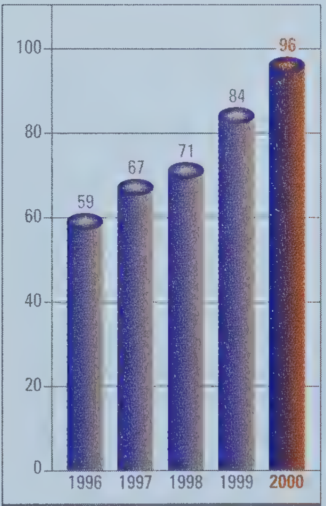
Upon removal of the Hold-Separate Order in September, Superior and ICG commenced the merger of their operations. In September, a combined corporate leadership team was announced and Superior and ICG were legally amalgamated. In October, a combined market leadership team was announced and an integration team, responsible for planning and implementing the merger, was formed. In November, the plan to merge the Superior and ICG corporate offices was implemented. Plans are underway to begin integrating Superior and ICG's market operations commencing in the second quarter of 2001 and are expected to take approximately six months to complete. Optimization of customer routing and other processes is expected to be completed in 2002. Operating and capital cost savings of approximately $10 million are expected from the merger in 2001, rising to approximately $20 million in 2002 and to $25 to $30 million in 2003. The merger is also expected to strengthen Superior's service offerings and performance, and its ability to compete against alternate fuels. Costs to implement the merger are expected to be approximately $20 million and will be partially funded from surplus assets sales of approximately $10 million, with the remainder funded by debt. A provision for anticipated future merger costs was recorded as part of the purchase accounting for the ICG acquisition in 1998 and is included in accounts payable and accrued liabilities on the balance sheet.

Until September 30, 2000, Superior accounted for its investment in ICG using the equity method, in recognition of the Hold-Separate Order requirement to operate ICG as a separate and competitive entity. Effective September 30, 2000, Superior began to consolidate the operating results and balance sheet of ICG in recognition of the removal of the Hold-Separate Order and the commencement of the integration of ICG and Superior.



DISTRIBUTABLE CASH FLOW
(millions of dollars)

For 2000, the Fund generated a record distributable cash flow of $72.5 million, an increase of 15% over 1999.

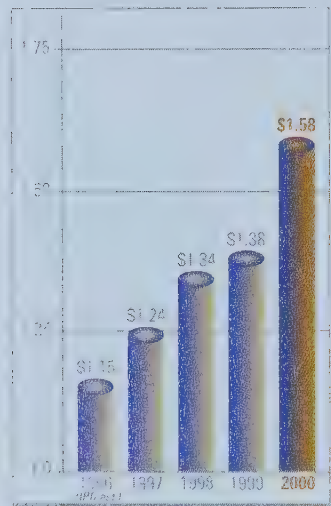


EBITDA
(millions of dollars)

EBITDA represents cash flow from operations before interest, cash taxes and maintenance capital expenditures.

DISTRIBUTABLE CASH FLOW

Distributable cash flow (cash generated from operations before changes in net working capital, less maintenance capital expenditures) reached $72.5 million in 2000 or $1.58 per average trust unit outstanding, a 15% increase over distributable cash flow of $1.38 per trust unit generated in 1999. Improved propane sales margins and other sales revenue contributed to the increased results. Net earnings before distributions to unitholders were $26.8 million or $0.59 per trust unit, compared to $11.2 million or $0.25 per trust unit in 1999. A more detailed discussion and analysis of the financial and operational results of Superior is provided below.



DISTRIBUTABLE CASH FLOW PER TRUST UNIT

The Fund has been successful in increasing distributable cash flow for the fifth consecutive year.

CASH DISTRIBUTION

The Fund distributes quarterly to unitholders, interest earned on the Shareholder Notes and dividends or return of capital declared on the Common Shares, after provision for administrative expenses and reserves of the Fund. On April 27, 1999, unitholders approved an amendment to the Unanimous Shareholder Agreement, enabling the Board of Directors of Superior to declare dividends/returns of capital on the Common Shares more frequently than once a year. As a result and based on positive operating performance, quarterly cash distributions were increased by approximately 22% from $0.27 to $0.33 per trust unit commencing with the second quarter of 1999. Any remaining undistributed cash flow in respect of a fiscal year is distributed to the Fund in April of the following year and is included in the Fund's April 15 distribution to unitholders. The table below depicts the total distributions relating to Superior's 2000 operations and provides a breakdown for 2000 income tax purposes. For 2001, the first $1.15 per trust unit is expected to be distributed in the form of other income, approximately $0.08 in the form of return of capital, with any remainder expected to be classified as a taxable dividend.

DISTRIBUTABLE CASH FLOW

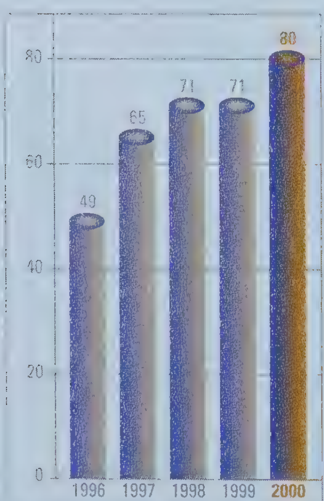
Distribution of 2000 distributable cash flow = $1.58

Distributions for 2000 tax purposes = $1.38

(per trust unit)	1st Qtr 2000	2nd Qtr 2000	3rd Qtr 2000	4th Qtr 2000	1st Qtr 2001
Return of Capital[(1)(2)]	$ 0.1350	$ 0.0816	$ 0.0761	$ 0.0771	$ 0.0401
Dividend	-	-	-	-	0.3228
Other income	0.2550	0.2484	0.2539	0.2529	0.2271
Total	$ 0.39	$ 0.33	$ 0.33	$ 0.33	$ 0.59

(1) Financing costs incurred by the Fund of $16.1 million to complete its October 8, 1996 initial public offering are deductible for tax purposes by the Fund on a straight line basis over five years. Issue costs deducted by the Fund allow the Fund to designate an equivalent amount as a "Return of Capital" for income tax purposes to unitholders. As at December 31, 2000, $1.8 million of such issue costs were available for future designation as a "Return of Capital".

(2) Additionally, distributions received from Superior with respect to the Fund's Common Share investment may be received in the form of "Return of Capital" for income tax purposes and may be distributed to unitholders as such. As at December 31, 2000, the Fund had $3.1 million of remaining tax basis in its Superior common share investment.



CASH FROM OPERATIONS
(millions of dollars)

Cash generated from operations before changes in net working capital.

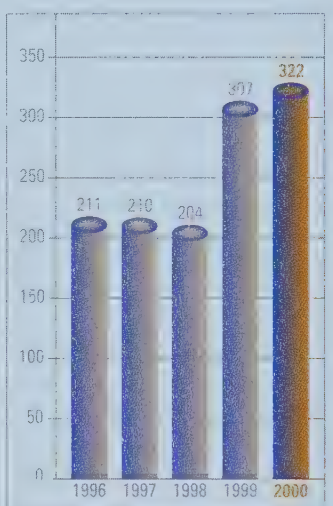
RESULTS OF SUPERIOR

Superior's condensed operating results for 2000, 1999, and the five-year average are provided in the table below. To improve comparability, this information includes the results of ICG presented on a combined basis for the periods indicated. Selected historical information for ICG and Superior for a five year period is provided on page 21 of this Annual Report.

SUPERIOR CONDENSED OPERATING RESULTS INCLUDING ICG's OPERATIONS ON A COMBINED BASIS

(millions of dollars except per litre amounts)	**2000**		1999		Last 5-year average	
		¢/litre		¢/litre		¢/litre
Gross profit						
Propane sales	**270.7**	**13.2**	260.7	12.5	281.9	12.3
Other services	**51.0**	**2.4**	45.8	2.2	45.1	2.0
Total gross profit	**321.7**	**15.6**	306.5	14.7	327.0	14.3
Less:						
Cash operating and						
administration costs[1]	**(225.9)**	**(10.9)**	(222.7)	(10.7)	(233.5)	(10.2)
Interest and cash income taxes	**(16.2)**	**(0.8)**	(13.3)	(0.6)	(8.9)	(0.4)
Cash generated from operations before						
changes in net working capital	**79.6**	**3.9**	70.5	3.4	84.6	3.7
Maintenance capital expenditures	**(7.1)**	**(0.3)**	(7.5)	(0.4)	(19.0)	(0.8)
Distributable cash flow	**72.5**	**3.6**	63.0	3.0	65.6	2.9
Propane volumes sold *(millions of litres)*	**2,058**		2,078		2,310	

(1) Includes management incentive fees of $3.7 million (1999 - $1.0 million)

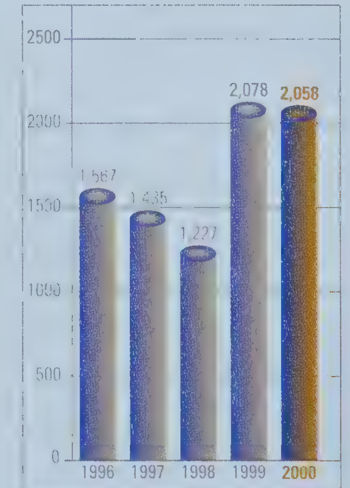


GROSS PROFIT
(millions of dollars)

Diversity of end-use and geographic markets provide for breadth and stability in gross profit. The increase in gross profit in1999 and 2000 reflect the acquisition of ICG Propane.

Gross profit of $321.7 million in 2000 (15.6 cents/litre of propane sold) increased from 1999 levels by $15.2 million or 5%. Gross profit from propane sales was $270.7 million in 2000, an increase of $10.0 million or 4% from 1999. Propane sales volumes reached 2.06 billion litres in 2000, a decrease of 20 million litres or 1% from 1999 levels, resulting in a $2.6 million reduction in gross profit. Auto propane sales declined by 87 million litres or 16% from 1999 levels due to the continued decline in the auto propane market. Increased industrial sales volumes partially offset the decline in auto volumes and were led by resurging demand from the oil field services end-use segment, reflecting increased activity in the oil and gas sector. Residential and commercial heating volumes were comparable to 1999 levels despite weather conditions that were on average 9% cooler than last year (1% cooler than the last five-year average). Higher propane prices caused consumers to generally manage more closely their energy consumption. Approximately 50% of Superior's sales volumes are heating related and 50% are related to economic activity levels.

Propane sales margins were 13.2 cents/litre, an increase of 5% over 1999 levels contributing to a $12.6 million increase in gross profit. Increased sales margins were a function of an improved business mix resulting from the decline in lower margin auto volumes in 2000, as well as strong margin performance in 2000 despite steadily increasing propane commodity prices experienced throughout the year. Propane commodity prices



PROPANE VOLUMES SOLD
(millions of litres)

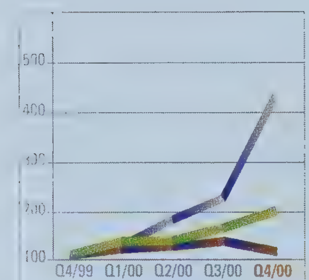
ICG contributes approximately 0.8 billion litres to our annual propane sales volumes.

followed increases in crude oil and natural gas prices throughout 2000. Sales margins typically decline during periods of rising propane commodity prices due to delays in passing on prices to customers and conversely, sales margins typically increase when propane commodity prices decline.

Gross profit generated by other services reached $51.0 million in 2000, an increase of 11% over 1999 levels, reflecting the continued focus on service programs that complement Superior's core propane delivery business.

From a regional perspective, gross profit generated by the Alberta/NWT region increased by $10.7 million over 1999 levels. This represents the majority of overall gross profit growth over the prior year, reflecting the strong growth experienced in oil field service volumes in 2000.

Compared to the last five-year average, gross profit generated in 2000 was within 2%, and in each of the last five years, has not deviated by more than 6%, reflecting Superior's considerable operational and customer diversification. Superior's operational risks are well distributed across its 240 branch and satellite locations, with the largest 10 branches representing approximately 34% of operating cash flow. Superior's customer base approaches 300,000. These customers are well diversified geographically and across end-use applications. Superior's largest customer contributed less than 2% of gross profit in 2000.



RELATIVE CHANGE IN WTI CRUDE OIL and NATURAL GAS/vs SARNIA WHOLESALE PRICES

Sarnia — WTI $/bbl — Avg. Monthly Empress Nat. Gas Price @ 6:1

Propane commodity prices followed increases in crude oil and natural gas prices throughout 2000. In January 2001, wholesale propane prices peaked at 49.5 cents per litre in Sarnia.

SUPERIOR ANNUAL VOLUMES AND GROSS PROFITABILITY:

BY END-USE APPLICATION					BY REGION				
	Twelve Months Ended December 31,					*Twelve Months Ended December 31,*			
	2000		1999			2000		1999	
Applications:	Volume	GP	Volume	GP	Regions	Volume	GP	Volume	GP
Residential	**243.2**	64.1	**246.3**	62.1	Atlantic	**127.1**	27.0	**126.0**	22.6
Commercial	**452.2**	77.1	**457.1**	74.4	Quebec	**342.5**	60.3	**349.9**	60.4
Agricultural	**137.3**	15.2	**141.5**	14.9	Ontario	**498.4**	91.0	**518.5**	88.9
Industrial	**768.0**	82.0	**688.8**	72.9	Sask/Man	**215.8**	28.8	**229.1**	30.2
Automotive	**457.2**	32.3	**544.5**	36.4	Alberta/NWT	**522.3**	68.5	**480.8**	57.8
Other services	**0.0**	51.0	**0.0**	45.8	BC/Yukon	**351.8**	46.1	**373.9**	46.6
	2,057.9	321.7	**2,078.2**	306.5		**2,057.9**	321.7	**2,078.2**	306.5
Average margin	**13.2**		**12.5**			**13.2**		**12.5**	

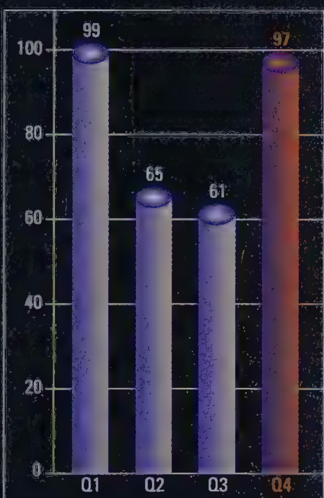
Volume: Volume of propane sold (millions of litres)

GP: Gross profit (millions of dollars)

Average Margin: Average propane sales margin (cents per litre)

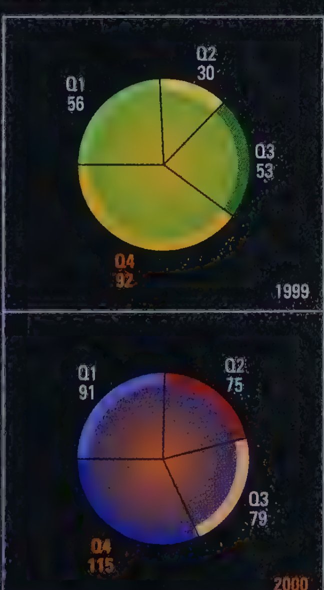
QUARTERLY RESULTS

Over 60% of gross profit and approximately 75% of operating cash flow is generated in the first and fourth quarters.



2000 GROSS PROFIT BY QUARTER
(millions of dollars)

Net working capital funding requirements follow a similar seasonal trend.



NET WORKING CAPITAL BY QUARTER
(millions of dollars)

Cash operating and administrative costs were $225.9 million in 2000, an increase of $3.2 million or 1% over the prior year. Increased fuel prices in 2000 contributed to higher delivery costs of approximately $3.4 million and were offset by a general improvement in operating efficiencies. Management incentive fees increased by $2.7 million commensurate with the improved distributable cash flow performance in 2000 (See Note 12(i) to the Consolidated Financial Statements for details on the Management Agreement).

Interest and cash income taxes reached $16.2 million, an increase of $2.9 million over 1999, due to higher debt levels and borrowing rates. Refer to the Liquidity and Capital Resources section for further discussion of debt levels.

Net maintenance capital expenditures at $7.1 million were comparable to 1999 levels as higher computer expenditures in 1999, associated with Superior's business system replacement project, were offset by higher proceeds from the sale of surplus assets last year.

Quarterly financial and operating information for 2000 and 1999 are provided below. To improve comparability, this information includes the results of ICG presented on a consolidated basis for the periods indicated. Approximately 75% of Superior's operating cash flow is generated in the 1st and 4th quarter each year as approximately 50% of Superior's sales volumes are to space heating end-use applications. Net working capital funding requirements follow a similar seasonal trend, peaking during the 1st quarter of each year, and declining to seasonal lows during the 3rd quarter.

(millions of dollars except per trust unit amounts)	2000 Quarter				1999 Quarter			
	1st	**2nd**	**3rd**	**4th**	1st	2nd	3rd	4th
Propane sales volumes *(millions litres)*	**645**	**413**	**409**	**591**	637	413	429	599
Gross profit	**99.1**	**65.0**	**60.8**	**96.8**	105.8	58.7	56.9	86.6
Earnings *(loss)* before distributions to unitholders	**15.8**	**(1.7)**	**(1.0)**	**13.7**	21.6	(5.2)	(7.3)	2.1
Per trust unit[1]	**$ 0.34**	**($ 0.04)**	**($ 0.02)**	**$ 0.26**	$ 0.47	($ 0.11)	($ 0.16)	$ 0.05
Distributable cash flow[2]	**31.3**	**12.4**	**5.8**	**23.0**	33.9	6.1	1.9	21.1
Per trust unit[1][2]	**$ 0.68**	**$ 0.27**	**$ 0.13**	**$ 0.50**	$ 0.74	$ 0.13	$ 0.04	$ 0.46
Net working capital[3]	**91.5**	**74.9**	**79.2**	**114.5**	56.1	29.7	52.9	91.6

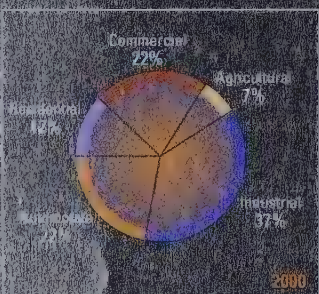
(1) Basic and fully diluted.

(2) Distributable cash flow equals cash generated from operations before changes in working capital, less maintenance capital expenditures.

(3) Net working capital is comprised of accounts receivable, inventories less accounts payable and accrued liabilities.

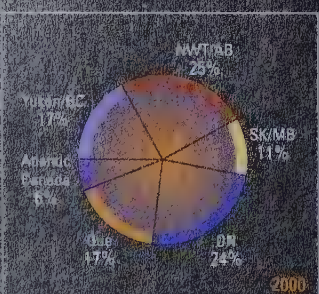
PROPANE BUSINESS AT-A-GLANCE

Compared to the last five-year average, gross profit generated in 2000 was within 2%, and in each of the last five years, has not deviated by more than 6%, reflecting Superior's stability that results from considerable operational and customer diversification.



END-USE VOLUMES

Approximately 50% of Superior's sales volumes are heating related and 50% are related to economic activity levels.



SALES BY REGION

Superior's customers are well diversified geographically and across end-use applications. Growth comes from the ICG acquisition and the expansion of service offerings.

LIQUIDITY AND CAPITAL RESOURCES

The Fund's distributions to unitholders are sourced entirely from its investments in Superior.

Superior's operating capital is financed substantially through equity and Shareholder Notes held by the Fund. Working capital is financed by revolving term bank credit facilities. Net maintenance capital requirements are funded from operating cash flow and are typically weighted towards the last half of the year as the truck fleet, tanks and cylinders are renewed in preparation for the winter heating season. Distributions to unitholders are financed by and to the extent of operating cash flow after provision for maintenance capital expenditures and other provisions as deemed appropriate. Capital required to finance an expansion of Superior's business is financed by either additional borrowings by Superior or it may require the Fund to use its commercial best efforts to raise the required financing. Through these funding policies, Superior maintains a strong financial position to facilitate the efficient execution of its business plans.

In July 1998, Superior entered into an unsecured, non-revolving credit facility of $175 million to fund the ICG acquisition. In July 1999, this facility was paid down to $95 million using funds drawn on Superior's revolving term credit facilities, and the repayment term was extended until July 2001. The loan bears interest based on floating rates. In January of 2001, the Fund completed a $100 million issue of 8% convertible unsecured subordinated debentures, the proceeds from which will be used to repay the ICG acquisition credit facility (See Notes 6 and 14 to the consolidated financial statements).

Superior has term credit facilities aggregating $205 million with five banks. The credit facilities bear interest based on floating rates. As at December 31, 2000, $172.0 million (1999 - $161.5 million) had been drawn on these facilities. Borrowing levels increased by $10.5 million compared to prior year-end levels, as a $23.0 million increase in net working capital requirements was partially offset by a $9.2 million increase in undistributed cash flow at December 31, 2000 as compared to the prior year end. The credit facilities contain terms which limit the incurrence of additional long term indebtedness and payment of distributions to the Fund if total senior indebtedness exceeds more than 3 times earnings before interest, taxes, depreciation and amortization. After giving effect to the $100 million convertible subordinated debenture issue by the Fund in January 2001, this ratio was 1.7 to one. Superior intends to take steps during 2001 to put in place more permanent financing for the remainder of the ICG acquisition and merger costs consisting of all debt or a combination of debt and equity. Superior has an investment grade credit rating, which provides for improved access to long term debt markets.

Superior's balance sheet was impacted significantly by the consolidation of ICG's balance sheet commencing September 30, 2000. See Note 3(a) to the consolidated financial statements for details.

The table on page 19 provides comparative details of Superior's net working capital components, after adjusting for the consolidation of ICG, and the effect of the change in accounting policy for future employee benefits as described in Note 10 of the consolidated financial statements:

(in millions)	Consolidated		Superior	ICG
	2000	1999	1999	1999
Accounts receivable	**$ 196.1**	$ 135.3	$ 92.3	$ 43.0
Inventories	**55.9**	48.9	38.3	10.6
Current assets	**252.0**	184.2	130.6	53.6
Accounts payable and accrued liabilities	**(137.5)**	(92.6)	(66.3)	(26.3)
Net working capital	**$ 114.5**	$ 91.6	$ 64.3	$ 27.3

On a comparative basis, net working capital requirements increased by $22.9 million from $91.6 million to $114.5 million as at December 31, 1999 and 2000, respectively. Accounts receivable increased by $60.8 million to $196.1 million, inventories increased by $7.0 million to $55.9 million, and accounts payable and accrued liabilities increased by $44.9 million to $137.5 million from prior year-end levels, respectively. Cash integration and Competition Tribunal costs incurred in 2000 reduced accounts payable and accrued liabilities by $4.9 million with the remaining increase in net working capital of $18.1 million principally attributable to the significant increase in propane commodity prices experienced during 2000.

PROPANE BUSINESS RISKS

Propane Demand, Supply and Pricing: Propane represents less than 2% of the overall Canadian energy market and is used in a wide range of applications, including residential, commercial, industrial, agricultural and automotive uses. Demand for traditional propane end-use applications is increasing marginally, while demand for automotive uses is presently declining at a rate of approximately 15% per year. Based on most recently available industry data, it is estimated that on an annual basis, approximately 11.5 billion litres of propane are produced in Canada, of which about 3.9 billion litres are being consumed domestically. The remainder is exported, mainly to the United States. The retail propane business is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale product cost. Changes in propane supply costs are normally passed through to customers, but timing lags may result in both positive and negative fluctuations of gross margins.

Competition: Propane distribution is a local, relationship-based business, in which propane competes for market share based on price and level of service. There are close to 200 other propane retailers in Canada. In addition, propane is subject to vigorous competition from other sources of energy, including natural gas, fuel oil, electricity, wood, gasoline, diesel and other fuels. Propane commodity prices are affected by crude oil and natural gas commodity prices. Crude oil and natural gas prices have recently been volatile and at historically high levels. In turn, propane commodity prices have followed similar trends. As a result, the competitiveness of propane relative to certain other energy sources may have been reduced. Additionally, increased propane prices may provide a greater incentive for customers to reduce their overall energy consumption. The automotive fuel market is currently declining at an estimated annual rate of 15% due to the development of more fuel efficient and complicated engines and as the cost of converting engines to propane consumption has increased and the savings per kilometre driven has decreased. Reversal of this market trend will require increased support of the governments and the original equipment vehicle manufacturers.

The introduction of natural gas in Nova Scotia and New Brunswick commenced in late 2000 and will begin to displace propane in these areas as natural gas infrastructure becomes accessible.

Seasonality and Weather Conditions: Historically, overall propane demand from non-automotive end-use applications has been stable. However, weather conditions and general economic conditions do affect propane market volumes. Weather influences the demand for propane primarily for heating uses and also for agricultural purposes such as crop drying. Approximately three quarters of annual cash flow is typically generated in the October through March winter heating season. Superior accumulates propane inventory during the summer months for delivery to customers during the winter heating season. The cost of inventory may be higher or lower than market prices for propane and can impact profitability.

Employee and Labour Relations: As of December 31, 2000, the Company had 2,045 regular and 191 part-time employees, approximately 100 of whom work in the corporate office with the remainder across the country. Approximately 500 employees are unionized through provincial or regional certifications in each province except Atlantic Canada and the Northwest Territories. There are 13 union agreements.

Environmental Risk: The storage and transfer of propane has limited impact on the environment as there is no impact to soil or water, given that a release of propane will disperse into the atmosphere. Slight quantities of propane may be released during transfer operations. Superior has established a program directed at environmental and health and safety protection. This program consists of an environmental policy, codes of practice, periodic self audits, employee training, quarterly and annual reporting and emergency prevention and response.

Competition Act Proceedings: The decision of the Competition Tribunal to permit Superior's merger with ICG is currently the subject of an appeal by the Competition Bureau before the Federal Court of Appeal. If the appeal is ultimately successful, Superior may become subject to certain remedies, which may require it to create a viable national competitor and, having done so, divest it.

OUTLOOK

The integration of ICG and Superior is expected to contribute operating and maintenance capital expenditure savings of approximately $10 million in 2001. Excluding the ICG integration opportunity, distributable cash flow is expected to be comparable to 2000 levels. Propane sales volumes are anticipated to reflect continued growth in oil field service demand, offset by continued declines in the auto propane market, softer economic conditions, and increased competition from alternative fuels. Average sales margins are expected to benefit from an improved business mix, as the proportion of low margin auto propane sales continues to decline. Continued high energy prices are expected to contribute to high working capital funding requirements and associated financing costs, and to negatively impact fuel delivery costs.

The Fund's estimated cash flow sensitivity to changes in average sales margins and volumes are provided in the table below:

	Change	Change	Impact on distributable cash flow	Per trust unit
Change in sales margin[1]	**$ 0.005/litre**	4%	**$ 7.7 million**	$ 0.17
Change in sales volume[1]	**100 million litres**	5%	**$ 9.9 million**	$ 0.21

(1) After giving effect to management incentive fees.

Selected Historical Information

SUPERIOR PROPANE

(thousands of dollars except litres of propane and margin per litre)

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Litres of propane sold from continuing operations *(millions of litres)*	**1,218**	1,249	1,227	1,435	1,567
Propane sales margin *(cents per litre)*	**14.4**	13.3	14.5	12.6	11.8
Gross profit[1]	**210,073**	197,021	203,544	209,476	210,874
Earnings before restructuring costs, depreciation, amortization, interest, incentive management fees, ICG equity earnings and income tax	**64,437**	57,416	71,833	67,326	59,786
Earnings from continuing operations	**38,251**	29,548[2]	48,584[2]	44,679	24,056
Net earnings	**38,251**	29,548[2]	48,584[2]	44,679	54,306
Cash from operations before changes in working capital	**79,890[2]**	69,275[2]	71,512[2]	65,126	49,444
Maintenance capital expenditures, net	**6,634**	5,658	9,561	7,745	13,990
Distributable cash flow	**73,105[2]**	63,617[2]	61,951[2]	57,381	35,454
Long-term debt	**172,261**	162,149	5,008	–	–

(1) Includes gross profit on appliance sales, third party transportation and other service revenues.

(2) Includes earnings from investment in ICG.

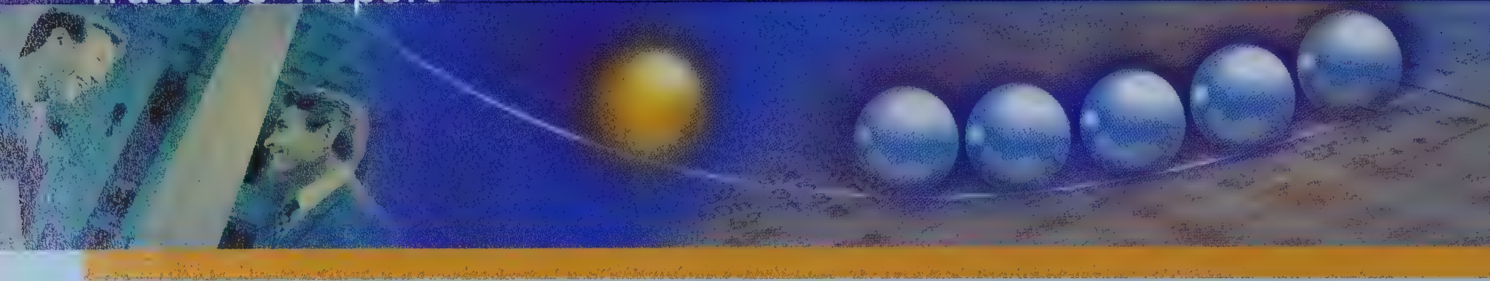
ICG PROPANE

(thousands of dollars except litres of propane and margin per litre)

	Year Ended December 31,				
	2000 unaudited	1999 unaudited	1998	1997	1996
Litres of propane sold from continuing operations *(millions of litres)*	**840**	829	922	1,074	1,171
Propane sales margin *(cents per litre)*	**11.4**	11.4	11.8	11.2	8.8
Gross profit[1]	**110,811**	109,527	124,743	137,316	117,031
Earnings before restructuring costs, depreciation, amortization, interest, and income tax	**35,822**	27,947	35,036	32,425	16,486
Maintenance capital expenditures, net	**444**	1,814	12,232	17,387	19,752
Distributable cash flow	**24,044**	16,510	22,804	15,038	(3,266)

(1) Includes gross profit on appliance sales, third party transportation and other service revenues.

Trustees' Report



The consolidated financial statements are the responsibility of the trustees of the Superior Propane Income Fund (the "Fund"). They have been prepared in accordance with generally accepted accounting principles, using the trustees' best estimates and judgements, where appropriate.

The trustees are responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information contained in this report. In preparation of these financial statements, estimates are sometimes necessary as a precise determination of certain assets and liabilities is dependent on future events. The trustees believe such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

The trustees are also responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information. The trustees are responsible for ensuring that the responsibilities for financial reporting and internal control are fulfilled.

Deloitte & Touche LLP, the independent auditors, have audited the Fund's consolidated financial statements in accordance with generally accepted auditing standards and have provided an independent professional opinion thereon.

February 21, 2001

Chairman
Superior Propane Income Fund

Auditors' Report

TO THE UNITHOLDERS OF SUPERIOR PROPANE INCOME FUND:

We have audited the consolidated balance sheets of Superior Propane Income Fund as at December 31, 2000 and 1999 and the consolidated statements of earnings and deficit and cash flows and distributable cash flows for the years then ended. These financial statements are the responsibility of the trustees of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
February 16, 2001

Deloitte & Touche LLP

Chartered Accountants

Consolidated Balance Sheets

(in thousands of dollars)

December 31,	2000	1999
ASSETS		
CURRENT ASSETS		
Accounts receivable	**196,128**	92,261
Inventories *(Note 4)*	**55,869**	38,311
	251,997	130,572
Investment in ICG Propane Inc. *("ICG") (Note 3)*	–	172,164
Capital assets and goodwill *(Note 5)*	**595,656**	501,164
	847,653	803,900
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank advances *(Note 6)*	**95,000**	95,000
Current portion of revolving term bank credits *(Note 7)*	**5,845**	–
Accounts payable and accrued liabilities	**137,480**	66,267
Distribution payable to unitholders	**15,117**	15,112
	253,442	176,379
Revolving term bank credits *(Note 7)*	**166,137**	161,525
Future employee benefits *(Note 10)*	**8,799**	–
Future income taxes *(Note 11)*	**21,579**	22,134
Unitholders' equity *(Note 8)*	**397,696**	443,862
	847,653	803,900

Approved by the Trustees

Trustee

Trustee

Consolidated Statements of Earnings and Deficit

(in thousands of dollars)

Years ended December 31,	2000	1999
Revenues	**669,555**	423,779
Cost of products sold	**426,090**	226,758
Gross profit	**243,465**	197,021
Expenses		
Operating and administrative *(Note 12)*	**168,844**	141,172
Depreciation and amortization	**47,852**	44,323
Interest	**15,451**	12,651
Income taxes of Superior *(Note 11)*	**(9,965)**	(6,199)
	222,182	191,947
EARNINGS FROM OPERATIONS	**21,283**	5,074
Earnings from investment in ICG *(Note 3)*	**5,555**	6,149
NET EARNINGS BEFORE DISTRIBUTIONS TO UNITHOLDERS	**26,838**	11,223
Distributions to unitholders	**(63,201)**	(69,601)
	(36,363)	(58,378)
DEFICIT, BEGINNING OF YEAR	**(103,268)**	(44,890)
Adjustment for a retroactive change in accounting policy *(Note 10)*	**(3,890)**	–
Adjustment for a retroactive change in accounting policy *(Note 11)*	**(5,913)**	–
DEFICIT, END OF YEAR	**(149,434)**	(103,268)
Net earnings per trust unit, before distributions to unitholders, basic and fully diluted *(Note 8)*	**$ 0.59**	$ 0.25

Consolidated Statements of Cash Flows and Distributable Cash Flows

(in thousands of dollars)

Years ended December 31,	2000	1999
Operating Activities		
Net earnings before distributions to unitholders	**26,838**	11,223
Items not affecting cash:		
Equity earnings from ICG *(net of $20,543 of distributions accrued and received, 1999: $26,075)*	**14,993**	19,926
Depreciation and amortization	**47,852**	44,323
Future income tax recoveries of Superior	**(10,400)**	(6,800)
Cash generated from operations before changes in working capital	**79,283**	68,672
Increase in non-cash operating working capital items	**(22,978)**	(70,219)
Net cash available	**56,305**	(1,547)
Investing Activities		
Cash included on consolidation of ICG *(Note 3(a))*	**3,223**	–
Maintenance capital expenditures, net	**(6,784)**	(5,658)
	(3,561)	(5,658)
Financing Activities		
Bank advances *(Note 6)*	–	(80,000)
Revolving term bank credits	**10,457**	156,806
Distributions to unitholders	**(63,201)**	(69,601)
	(52,744)	7,205
CHANGE IN CASH	–	–
CASH AT BEGINNING OF YEAR	–	–
CASH AT END OF YEAR	–	–
STATEMENT OF DISTRIBUTABLE CASH FLOWS		
Cash generated from operations before changes in working capital	**79,283**	68,672
Less maintenance capital expenditures, net	**(6,784)**	(5,658)
DISTRIBUTABLE CASH FLOW	**72,499**	63,014
Distributable cash flow per trust unit, basic and fully diluted *(Note 8)*	**$ 1.58**	$ 1.38

1. ORGANIZATION AND BASIS OF PRESENTATION

Superior Propane Income Fund (the "Fund") is an unincorporated trust created pursuant to a declaration of trust made as of August 2, 1996 and amended October 8, 1996 (the "Declaration of Trust") and is governed by the laws of the Province of Alberta. The Fund was created as a limited purpose trust to acquire from Union Pacific Resources Inc. ("UPRI"), 22,848,695 Class A Common Shares of Superior Propane Inc. ("Superior"), representing 50% of the aggregate number of issued and outstanding Class A and Class B Common shares of Superior (the "Common Shares"), and $192.5 million principal amount of 13% unsecured subordinated notes due October 1, 2026 representing 50% of the issued and outstanding 13% unsecured subordinated notes (the "Shareholder Notes"). The Shareholder Notes rank behind any senior indebtedness of Superior which may include amounts owing to certain major suppliers of Superior. The Fund's acquisition was financed from the net proceeds of the sale of Fund trust units in the amount of $234.2 million.

On September 5, 1997, the Fund acquired from UPRI an additional 40% Shareholder Note and Common Share interest in Superior in consideration for the issuance of 18,278,000 trust units pursuant to an exchange agreement between UPRI and the Fund dated October 8, 1996 which was entered into in conjunction with the Fund's initial purchase of its 50% interest in Superior (the "Exchange Agreement").

On May 28, 1998, UPRI exchanged its remaining 10% Shareholder Note and Common Share interests in Superior for 4,570,695 trust units of the Fund valued at $60.8 million pursuant to the Exchange Agreement. UPRI in turn, sold the trust units so acquired and its rights under the Management and Administrative Agreements with Superior and the Fund respectively (see Note 12), to a group of senior executives of Superior together with funds managed by Enterprise Capital Management Inc. (the "Management Group"). As a result of these transactions, Superior became wholly owned by the Fund and the Management Group became the manager and administrator under the Management Agreement and the Administrative Agreement respectively.

Upon the closing of the initial acquisition on October 8, 1996, the Fund entered into certain agreements with UPRI and Superior including a unanimous shareholders' agreement (the "Unanimous Shareholders' Agreement"). The Unanimous Shareholders' Agreement provides for various matters relating to Superior including the manager's entitlement to nominate a majority of the members of the Superior Board of Directors so long as the manager holds not less than 10% of the outstanding trust units of the Fund. In addition, the Fund may not sell, assign, pledge or otherwise encumber any of the Shareholder Notes or Common Shares without the prior approval of Superior's Board of Directors. See also Note 12 - Related Party Transactions and Agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The accompanying consolidated financial statements have been prepared according to Canadian generally accepted accounting principles applied on a consistent basis and include the accounts of the Fund and its wholly owned subsidiary, Superior. All significant transactions and balances (including the Shareholder Notes) between the Fund and Superior have been eliminated on consolidation. Superior's wholly owned subsidiary, ICG, over which its operating control was limited by a Hold-Separate Order of Canada's Competition Tribunal, was accounted for using the equity method since its acquisition on December 7, 1998 until September 30, 2000. In September 2000, the Hold-Separate Order was removed and the integration of Superior's and ICG's operations was commenced. In recognition of Superior's assumption of operating control of ICG, Superior began to consolidate ICG's balance sheet and operating results effective September 30, 2000. See Note 3 for details.

Goodwill

The excess of the Fund's cost of investment in Superior's Common Shares and Shareholder Notes over the corresponding interest in Superior's current assets and property, plant and equipment less current liabilities, long term debt and deferred income taxes on the date of acquisition has been attributed to goodwill and is amortized on a straight line basis over twenty years. The net carrying value of goodwill would be written down if the value were permanently impaired. The Fund assesses impairment by determining whether the unamortized goodwill balance can be recovered through undiscounted operating cash flows of the acquired operation over its remaining life.

Income Taxes

The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the unitholders. During 2000 and 1999, the Fund has allocated all of its taxable income to the unitholders, and accordingly, no provision for income taxes is required at the Fund level. The Fund's subsidiary, Superior, is subject to corporate income taxes and follows the liability method of accounting for income taxes.

Distributions to Unitholders

Distributions to unitholders are made on a quarterly basis. The amount of cash to be distributed annually will be equal to the Fund's share of Superior's cash flow after provision for maintenance capital expenditures and other reserves as may be considered necessary, less expenses of the Fund. Cash is received quarterly by the Fund from Superior in the form of interest income earned on the Shareholder Notes and dividends or returns of capital received on the Common Share investment in Superior. Any remaining distributable cash flow in respect of the fiscal year is distributed in the first quarter of the subsequent year.

Inventories

Inventories of propane are valued at the lower of cost and market determined on the basis of estimated net realizable value. Appliances, materials, supplies and other inventories are stated at the lower of cost and market determined on the basis of estimated replacement cost or net realizable value, as appropriate.

Superior has an inventory of appliances rented to customers under rental contracts. The book value of this inventory is carried in the inventory accounts at cost less accumulated amortization. Amortization is provided on a straight line basis, generally over a period of five years.

Future Employee Benefits

Superior has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees, and accrues its obligations under the plans and the related costs, net of plan assets.

Capital Assets

Capital assets are recorded at cost and depreciated over their respective estimated useful lives using the straight line method except for loaned dispensers which use the declining balance method at a rate of 10%. The estimated useful lives of major classes of property, plant and equipment are:

Buildings	20 years
Tanks and cylinders	20 years
Truck tank bodies	10 years
Truck chassis	7 years
Computer equipment and furniture	7 to 10 years

Financial Instruments

The carrying value of accounts receivable, accounts payable and accrued liabilities, and distributions payable approximates the fair value of these financial instruments due to the short term maturity of these instruments. Superior has a large number of diverse customers which minimizes accounts receivable credit risk. The carrying values of bank advances and revolving term bank credits approximate their fair values due to the floating interest rate nature and short repayment term of these debt securities.

Trust Unit Options

The Fund has a Trust Unit Incentive Plan which is described in Note 9. No compensation expense is recognized for this plan when Trust Options are issued to employees.

Segmented Reporting

Superior operates in only one business segment as its operating activities are related to the distribution and retail sale of propane, propane consuming equipment and related services in Canada.

3. ACQUISITION OF ICG

On July 20, 1998, Superior entered into an agreement to purchase ICG on a debt free basis, for cash consideration of $175 million plus interest accrued thereon to the date of closing. Canada's Competition Bureau unsuccessfully initiated proceedings before the Competition Tribunal pursuant to Canada's Competition Act in an attempt to temporarily block the acquisition from closing on the grounds that the acquisition could lead to a substantial lessening of competition in Canada's retail propane markets. On December 7, 1998, Superior completed the acquisition of ICG. On December 8, 1998, the Competition Bureau initiated further proceedings under the Competition Act to challenge Superior's acquisition based on substantially the same grounds that were previously asserted unsuccessfully before the Competition Tribunal. On December 11, 1998 the Competition Tribunal approved a consent interim order (the "Hold- Separate Order") which established certain operating parameters requiring Superior and ICG to continue operating as independent competitors pending the completion of the Competition Tribunal's full review of the acquisition. Superior was permitted to recapitalize ICG and to adopt a distribution policy providing for the distribution to Superior of substantially all of ICG's operating cash flow net of maintenance capital expenditures, on a tax efficient basis.

Superior was also permitted to acquire and integrate ICG's operations in 14 local markets where Superior did not have an operating presence. Superior completed the acquisition of ICG's non-overlapping operations on January 1, 1999 for consideration of $15.7 million (see Note 3(b)).

On August 30, 2000, the Competition Bureau's application to dissolve the merger of Superior and ICG was dismissed by the Competition Tribunal. On September 6, 2000, the Bureau announced that it would appeal the decision of the Tribunal. On September 8, 2000, the Tribunal reaffirmed its decision to dismiss the application of the Bureau on August 30, 2000 and also removed the Hold-Separate Order. The Bureau immediately appealed the Tribunal's decision of August 30, 2000 and the Federal Court of Appeal dismissed an application of the Bureau to reinstate the Hold-Separate Order, clearing the way for Superior and ICG to initiate their merger, subject to the appeal of the Tribunal's August 30, 2000 decision. On September 30, 2000, Superior and ICG were amalgamated into a single entity.

The Bureau's appeal of the Tribunal's August 30, 2000 decision was heard by the Federal Court of Appeal on January 9 and 10, 2001 and a decision is expected mid-year. If the appeal is ultimately successful, Superior may become subject to certain remedies which may require it to create a viable national competitor and, having done so, divest it.

(a) ICG Investment Carrying Cost

	2000	1999
Opening balance, January 1	**$ 172,164**	$ 207,790
Acquisition of non-overlapping sites *(Note 3(b))*	–	(15,700)
Distributions accrued and received net of equity pick up of $20,543 *(1999: $26,075)*	**(14,993)**	(19,926)
Consolidation of ICG investment	**(157,171)**	–
ICG investment carrying cost, December 31,	**$ –**	$ 172,164

Effective September 30, 2000, Superior consolidated ICG's balance sheet and operating results. See Note 2 - Organization and Basis of Presentation. The consolidation resulted in the investment in ICG being replaced with the following net assets:

Cash	$	3,223
Net working capital		20,654
Capital assets and goodwill		133,294
	$	157,171

As at December 31, 2000, Accounts Payable and Accrued Liabilities included an amount of $17.1 million (1999: $21.9 million) representing the remaining estimated cost to integrate ICG's operations with Superior. During 2000, $4.9 million (1999: $7.8 million) of integration expenditures were incurred of which $4.7 million (1999: $7.3 million) were incurred with respect to the Competition Bureau's application to dissolve the merger and $0.2 million of costs were expended in connection with the integration of ICG's operations. In 1999, $0.5 million of costs were expended in connection with the integration of the 14 non-overlapping sites (see Note 3(b)).

Superior has determined its purchase price discrepancy representing the excess of the total acquisition cost over the related net book value of ICG at the date of acquisition to be $103.2 million. Superior's purchase price discrepancy which has been ascribed to goodwill, is being amortized on a straight-line basis over 20 years. At December 31, 2000, the remaining unamortized goodwill was $76.9 million (1999: $97.8 million).

(b) Acquisition of ICG non-overlapping sites

On January 1, 1999, Superior acquired 14 ICG sites representing their non-overlapping operations for consideration of $15.7 million paid by way of a similar reduction of a subordinated promissory note receivable from ICG. These sites have been accounted for using the purchase method. In this way, Superior's investment in ICG was reduced by $15.7 million and assets were acquired with fair values as follows:

		1999
Property, plant and equipment	$	2,375
Net working capital		10,918
Goodwill		2,407
	$	15,700
Financed by:		
Reduction of Note Receivable from ICG	$	15,700

4. INVENTORIES

		2000		1999
Propane	$	**33,766**	$	15,398
Appliances		**6,441**		7,671
Materials, supplies and other		**6,742**		6,595
Rental appliances		**8,920**		8,647
	$	**55,869**	$	38,311

5. CAPITAL ASSETS AND GOODWILL

	2000			1999		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	**$ 25,461**	**$ –**	**$ 25,461**	$ 22,967	$ –	$ 22,967
Buildings	**32,611**	**13,071**	**19,540**	23,888	13,283	10,605
Propane marketing equipment	**405,947**	**227,527**	**178,420**	359,607	204,515	155,092
Property, plant and equipment	**$ 464,019**	**$ 240,598**	**$ 223,421**	$ 406,462	$ 217,798	$ 188,664
Goodwill	**433,569**	**61,334**	**372,235**	354,435	41,935	312,500
Total capital assets and goodwill	**$ 897,588**	**$ 301,932**	**$ 595,656**	$ 760,897	$ 259,733	$ 501,164

6. BANK ADVANCES

As at December 31, 2000, Superior had borrowed on an unsecured, non-revolving basis $95 million (1999: $95 million) for the purpose of funding the ICG acquisition. The loan is repayable on July 13, 2001. Interest is based on floating rates.

7. REVOLVING TERM BANK CREDITS AND TERM LOANS

Revolving term bank credits of $172.0 million (1999: $161.5 million) are unsecured and bear interest based on floating rates. Repayment requirements are as follows:

(in millions)	
Current portion	$ 5.8
Due in 2002	39.7
Due in 2003	52.5
Due in 2004	74.0
Total	$ 172.0

Due to the legal amalgamation of Superior and ICG on September 30, 2000 no monies were advanced from ICG at December 31, 2000 (1999: $21.0 million on commercial terms (Note 12)).

Interest paid on bank advances and revolving term bank credits during the year amounted to $15.3 million (1999: $12.5 million) of which $9.5 million (1999: $9.5 million) relates to long term debt.

8. UNITHOLDERS' EQUITY

Authorized

Pursuant to the Declaration of Trust, an unlimited number of units may be issued. Each unit represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets in the event of termination or wind-up of the Fund. All units are of the same class with equal rights and privileges.

Issued	Number of Units (000's)	$ (000's)
Unitholders' equity, December 31, 1998	**45,748**	**$ 502,240**
Trust unit option plan *(Note 9)*	46	–
		$ 502,240
Earnings before distributions to unitholders		11,223
Distributions to unitholders		(69,601)
Unitholders' equity, December 31, 1999	**45,794**	**$ 443,862**
Trust unit option plan *(Note 9)*	15	–
		$ 443,862
Earnings before distributions to unitholders		26,838
Distributions to unitholders		(63,201)
Retroactive adjustment re change in accounting policy *(Note 10)*		(3,890)
Retroactive adjustment re change in accounting policy *(Note 11)*		(5,913)
Unitholders' equity, December 31, 2000	**45,809**	**$ 397,696**

(i) Distributable cash flow and net earnings per trust unit, before distributions to unitholders, have been calculated using the average number of trust units outstanding during the period (45.8 million in 2000; 45.8 million in 1999).

(ii) Future Financing

The Fund, at the direction of Superior, is obligated to use its best commercial efforts to raise funds to acquire additional Shareholder Notes and Common Shares of Superior to provide Superior with additional capital (see Note 14).

9. TRUST UNIT OPTION PLAN

The Fund has a Trust Unit Incentive Plan ("TUIP") through which market growth options may be issued to the Fund trustees and to directors, senior officers and employees of Superior. Under the TUIP, the number of trust units issued is equal to the growth in value of the options at the time the options are exercised, represented by the market price less the exercise price times the number of options exercised, divided by the current market price of the trust units issued. Under the TUIP, options are granted for a four-year term and if granted on or after October 27, 1999, are exercisable as to 33 1/3% immediately and an additional 33 1/3% on the first and second anniversary of the date of grant. Options granted prior to October 27, 1999 are exercisable in whole or in part at any time prior to their expiry date.

A summary of the status of the Fund's TUIP as at December 31, 2000 and 1999 and changes during these years is summarized below:

	2000		1999	
	Options (000's)	Weighted Average Exercise Price	Options (000's)	Weighted Average Exercise Price
Options outstanding at beginning of year	**$ 641**	**$ 14.17**	$ 623	$ 13.61
Granted	**387**	**12.84**	390	14.42
Exercised	**(122)**	**13.22**	(354)	13.44
Forfeited	**(101)**	**13.70**	(18)	14.24
Options outstanding at end of year	**805**	**$ 13.74**	641	$ 14.17
Options exercisable at end of year	**537**	**$ 14.06**	519	$ 14.33

The following summarizes information about the trust unit options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	(000's) Outstanding at Dec. 31, 2000	Wt. Avg. Remaining Contractual Life	Wt. Avg. Exercise Price	(000's) Exercisable at Dec. 31, 2000	Wt. Avg. Exercisable Price
$10.45 - $15.55	805	2.73 years	$13.74	537	$14.06

10. FUTURE EMPLOYEE BENEFITS

Effective January 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to accounting for employee benefit plans. The new method was retroactively applied without restatement of the 1999 financial statements. The impact of these recommendations on the opening 2000 financial statements was to increase the liability for future employee benefits by $3.9 million and increase the retained deficit by $3.9 million. The impact of these recommendations on the 2000 financial results was to reduce operating and administrative expense by $0.7 million.

The following disclosures for 2000 reflect the new recommendations of the CICA for employee benefit plans. As the 1999 financial statements were not restated, the following disclosures for 1999 reflect the former recommendations of the CICA.

2000

Superior has defined benefit and defined contribution pension plans covering most employees. The benefits provided under the defined benefit pension plan are based on the employees' years of service and on the highest average earnings for a specified number of consecutive years. New non-unionized employees may only participate in the defined contribution pension plan.

Information about the Company's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans	Other Benefit Plans
Accrued benefit obligation, beginning of year	$ 29,952	$ 7,330
ICG obligation assumed *(Note 3)*	25,018	2,126
Current service cost	399	36
Interest cost	2,433	–
Employee contributions	15	–
Benefits paid	(3,478)	(693)
Actuarial loss	1,439	–
Accrued benefit obligation, end of year	$ 55,778	$ 8,799
Fair value of plan assets, beginning of year	$ 58,409	–
ICG assets acquired *(Note 3)*	34,025	–
Actual return on plan assets	6,201	–
Employer withdrawals	(2,165)	–
Employee contributions	33	–
Benefits paid	(3,478)	–
Fair value of plan assets, end of year	$ 93,025	–
Funded status - plan surplus *(deficit)*	$ 37,247	$ (8,799)
Unamortized net actuarial gain	(2,290)	–
Unamortized transitional asset	(2,046)	–
Accrued net benefit asset in excess of accrued benefit obligation[1]	$ 32,911	–
Accrued net benefit balance sheet obligation	–	$ (8,799)

(1) None of which is recorded on the balance sheet.

The accrued benefit obligation of $8.8 million related to other benefit plans has been recorded in the financial statements as at December 31, 2000. An expense of $36,000 has been recorded in 2000 with respect to other benefit plans.

The fair value of the defined benefit plan assets in excess of the accrued benefit balance sheet obligation at December 31, 2000 is $32.9 million. The defined contribution pension plan is a fully funded plan by its nature. Accordingly, defined contribution pension plan assets equal the related obligation.

The total cost of the Company's defined contribution plans in 2000 was $2.2 million and was fully funded and offset by the return earned on the unrecognized defined benefit plan's net benefit asset. The Company expects to continue to fund its required annual obligation under the defined contribution pension plan by transfers from the defined benefit pension plan.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	Pension Benefit Plans	Other Benefit Plans
Discount rate	6.5%	7.0%
Expected long-term rate of return on plan assets	6.5%	–
Rate of compensation increase	5.0%	5.0%

1999

Projected benefit obligations and the expected return on plan assets are based on an assumed rate of 6.5%. Projected pay increases reflect an assumed rate of 5%.

The funded status of the plans as at December 31, 1999, is as follows:

Accumulated benefit obligation	$	60,808
Unearned benefit obligation related to projected pay increases		3,005
Projected benefit obligation	$	63,813
Plan assets, at market related values		89,883
Surplus of plan assets over projected benefit obligation[1]	$	26,070

(1) None of which is recorded on the balance sheet.

11. INCOME TAXES

The provision for income taxes in the consolidated statement of earnings and deficit reflects the consolidation of Superior's income tax expense.

Effective January 1, 2000 Superior adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Under the new recommendations, the liability method of tax allocation is used based on differences between financial reporting and tax bases of assets and liabilities. Previously, the deferral method was used, based on differences in the timing of reporting income in the financial statements and tax returns. The new method was retroactively applied without restatement of the 1999 financial statements.

The impact of these recommendations on the opening 2000 financial statements was to increase capital assets by $3.9 million, increase retained deficit by $5.9 million, and record an additional future tax liability of $9.8 million. The impact of these recommendations on the 2000 financial results was to reduce income tax expense and increase net earnings before distributions to unitholders by $6.8 million.

The components of the future income tax liability at December 31, 2000 are as follows:

		2000
Excess of carrying value of tangible assets	$	(34,569)
Recognition of benefit of prior year loss		10,147
ICG costs accrued net of increased investment		(3,034)
Reserves, deductible when paid		5,877
	$	(21,579)

Total income taxes are different than the amount computed by applying the combined expected Canadian and Provincial tax rates of 44.6% (December 31, 1999: 44.6%) to income before taxes. The reasons for these differences are as follows:

		2000		1999
Earnings before distributions to unitholders	$	26,838	$	11,223
Earnings from investment in ICG		(5,555)		(6,149)
Income taxes *(recovery)* of Superior		(9,965)		(6,199)
Earnings *(loss)* of the Fund before taxes				
and distributions to unitholders	$	11,318	$	(1,125)
Canadian statutory rate of income taxes		44.6%		44.6%
Computed tax expense *(recovery)*	$	5,048	$	(502)
Increase *(decrease)* in income taxes resulting from:				
Tax effect of interest expense eliminated on consolidation		(16,975)		(15,847)
Impact of future reductions in federal income tax rates		(6,089)		–
Large corporations tax, paid currently		680		601
Permanent difference - goodwill amortization		7,905		8,569
Other items, net		(534)		980
Reported provision for *(recovery of)* income taxes	$	(9,965)	$	(6,199)

Taxes paid during 2000 totaled $0.7 million (1999: $0.6 million) including $0.7 million (1999: $0.6 million) of federal large corporations tax.

12. RELATED PARTY TRANSACTIONS AND AGREEMENTS

A group of senior executives of Superior, together with Enterprise Capital Management Inc. (the "SCMI Executives"), operating under the name of Superior Capital Management Inc. ("SCMI") hold an approximate 10% ownership in the Fund as well as the rights under the Superior Management Agreement and the Fund's Administration Agreement. See Management Agreement and Administration Agreement below.

(i) Management Agreement

Pursuant to the Management Agreement between SCMI and Superior dated October 8, 1996 as amended (the "Management Agreement"), SCMI provides senior executive management and other support services to Superior. The Management Agreement provides for the full recovery of all expenses, including general and administrative expenses, of SCMI attributable to the management of Superior. For the year ended December 31, 2000, Superior paid SCMI $393,000 (1999: $512,000) related to salary and benefit expenses incurred by SCMI for the SCMI Senior Executives.

The Management Agreement entitles SCMI to earn incentive fees which are based upon the level of cash flow distributed to the Fund in respect of a calendar year. The incentive fees are payable annually on April 15th of the year following the applicable year. SCMI, as the manager, will be entitled to incentive fees when distributions by Superior in respect of a year are within the following target ranges:

	Cash flow distributed to the Fund per trust unit	Incentive fee entitlement of the Manager
	Less than $1.27	Nil
First target	$1.28 to $1.45	15%
Second target	$1.46 to $1.89	25%
Third target	$1.90 and greater	50%

Distributions with respect to Superior's 2000 operations reached the equivalent of $1.58 per trust unit (1999: $1.38 per trust unit), resulting in the accrual for 2000 management incentive fees of $3.7 million (1999: $1.0 million). All payments made pursuant to the Management Agreement have been included as part of operating and administrative expenses. The initial term of this Management Agreement is for 10 years and is automatically renewed for three year periods thereafter. Superior may terminate the Management Agreement by the payment of an amount equal to the average of the actual Management Incentive Fees paid by Superior in the immediately preceding two fiscal years and the budgeted fees in the current or forthcoming year, multiplied by ten and subject to a minimum payout of $5.0 million.

(ii) Administration Agreement

Pursuant to an Administration Agreement between SCMI, Superior and the Fund, SCMI acts as an administrator and advisor for the Fund. For the year ended December 31, 2000, the Fund paid SCMI $260,954 (1999: $254,401) in respect of administration and advisory fees pursuant to this agreement. The term of the Administration Agreement is the same as the Management Agreement except that the minimum payout is $2.5 million.

(iii) ICG

Until September 30, 2000, ICG was a wholly owned subsidiary of Superior and was accounted for using the equity method (See Note 3(a)). In 2000 Superior received or accrued distributions from ICG of $20.5 million (1999: $26.1 million). As at December 31, 2000, there were no accrued dividends receivable from ICG included in accounts receivable (1999: $3.4 million). From time to time, Superior borrowed from ICG on commercial terms. ICG funded these borrowings from existing cash reserves or drawings on its revolving term bank credit facility. As at December 31, 2000, Revolving Term Bank Credits included no amounts that had been borrowed from ICG (1999: $21.0 million). Interest paid to ICG during 2000 under the arrangement was $1.1 million (1999: $0.5 million).

(iv) Management Trust Unit Purchase Plan Loan Guarantee

Three executive officers, and two senior employees of Superior have obtained guarantees from Superior under the terms of the Management Trust Unit Purchase Plan (the "MTUPP") established by Superior in January 1999, in amounts ranging from $436,383 to $676,673. The total amount guaranteed by Superior is $2,619,984. Under the terms of the MTUPP, participants may acquire Trust Units of the Fund through open market purchases in pledge accounts established by individual participants with an investment dealer. Participants borrow directly from a chartered bank the entire cash amount required to make the Trust Unit purchases with Superior currently guaranteeing up to 66% of the loan amount.

13. OPERATING LEASE COMMITMENTS

Superior leases buildings and propane marketing equipment under operating leases which expire in various years through 2009. Future minimum lease payments under operating leases with initial terms or remaining terms of one year or more at December 31, 2000 were:

2001	$ 7,093
2002	4,357
2003	3,439
2004	2,539
2005 and thereafter	4,574

14. SUBSEQUENT EVENT

On January 31, 2001, the Fund issued Subscription Receipts in the aggregate principal of $100 million which will be converted to $100 million 8% Unsecured Subordinated Convertible Debentures maturing on July 31, 2007 (the "Debentures"). The Debentures may be converted into Trust Units at the option of the holder at a conversion price of $16.00 per Unit at any time prior to maturity and may be redeemed by the Fund in certain circumstances. The conversion of the Subscription Receipts into Debentures is conditional upon the approval of unitholders of changes to the Fund's Declaration of Trust to provide for the issuance of debt securities by the Fund at a special meeting scheduled for March 7, 2001.

If unitholder approval is not obtained by April 30, 2001, holders of Subscription Receipts are entitled to receive an amount equal to the full subscription price plus an amount equal to the interest that would have been payable on the Debentures if the Debentures had been issued and outstanding from January 31, 2001 to the date such Subscription Receipts are repurchased.

Corporate and Unitholder Information

TRUSTEES AND OFFICERS SUPERIOR PROPANE INCOME FUND

Peter A.W. Green
Chairman, Superior Propane Income Fund
Chairman, The Frog Hollow Group
Director, Superior Propane Inc.

John S. Burns, Q.C.
Senior Partner
Bennett Jones LLP

Norman R. Gish
Chairman and Chief Executive Officer
Alliance Pipeline Ltd.

Theresia R. Reisch
Secretary/Investor Relations Manager
Superior Propane Income Fund

AUDITORS

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Chartered Accountants
3000 Scotia Centre
700 - 2nd Street S.W.
Calgary, Alberta T2P 0S7

TRUST UNITS

The Fund is listed on The Toronto Stock Exchange and trades under the symbol **SPF.UN**. Trust units are eligible for RRSP's, RRIF's and DPSP's.

FOR UNITHOLDER REGISTRATION AND TRANSFER SERVICES, CONTACT:

CIBC Mellon Trust Company
PO Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2E9
Answer Line: (416) 643-5500
Toll-Free: 1-800-387-0825
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Web Site: www.cibcmellon.com

BOARD OF DIRECTORS SUPERIOR PROPANE INC.

Grant D. Billing
Executive Chairman
Superior Propane Inc.

Robert J. Engbloom
Senior Partner
Macleod Dixon LLP

Peter A.W. Green
Chairman
The Frog Hollow Group

Allan G. Lennox
Senior Partner
The Lennox Partnership

James S.A. MacDonald
Chairman and Managing Partner
Enterprise Capital Management Inc.

Geoffrey N. Mackey
President and Chief Executive Officer
Superior Propane Inc.

David P. Smith
Managing Partner
Enterprise Capital Management Inc.

FOR FINANCIAL AND OTHER INFORMATION ABOUT THE FUND, CONTACT:

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TO RECEIVE AN INVESTOR'S PACKAGE OR TO BE ADDED TO THE MAILING LIST FOR UNITHOLDER INFORMATION, CONTACT:

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Corporate Administrator
Superior Propane Income Fund
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OFFICERS AND KEY PERSONNEL SUPERIOR PROPANE INC.

Grant D. Billing
Executive Chairman

Geoffrey N. Mackey
President and Chief Executive Officer

W. Mark Schweitzer
Executive Vice-President, Corporate Development and Chief Financial Officer

David P. Balicki
Vice-President, Western Operations

John W. Cooper
Senior Vice President, Integration

Paul G. Saabas
Vice President, Eastern Operations

Gordon C. Weicker
Vice-President, Corporate Field Services

Theresia R. Reisch
Secretary

The **Annual Meeting of unitholders** of the Fund will be held in the Strand/Tivoli Room of the Metropolitan Centre, 333 - 4th Avenue S.W., Calgary, Alberta, on Wednesday, April 25, 2001 at 2:30 p.m. local time.

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CONSISTENT PERFORMANCE. The Fund has been successful in increasing distributions to unitholders each year since its inception in October 1996, with a total return of 109% as at December 31, 2000. **STRONG MANAGEMENT TEAM.** Superior's management team has proven strength and experience. The management group holds a 10% interest in the Fund and under the management incentive fee structure, the manager is rewarded if and to the extent unit distributions are increased. **THE PROPANE ADVANTAGE.** The propane business is a mature distribution and service business. Diversity of end-use and geographic markets provides for breadth and stability of operating and financial results. **GROWTH OPPORTUNITIES.** The synergies targeted from the completion of the merger of ICG Propane with Superior offer a substantial upside to investors. **POSITIVE OUTLOOK.** For 2001 and the years ahead, we are well-positioned to benefit from economies of scale, expand our product offerings to customers and participate in the emerging distributed power market.

Superior Propane
INCOME FUND

The graph illustrates changes from October 8, 1996 to December 31, 2000 in cumulative return to unitholders of an investment in Trust Units of the Superior Propane Income Fund (Superior) compared to the TSE 300 Total Return Units (TSE) and the Total Unitholder Return of the Income Trust Index designed by Scotia McLeod (Scotia).